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ACTION NEA-12

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 683

INFO AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY LONDON

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AMCONSUL CALCUTTA

AMCONSUL MADRAS

CINCPAC

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TAGS: PINT, IN

SUBJECT: GRAIN TRADE DECISION STRAINS CONGRESS-CPI TIES

REF: (A) NEW DELHI 3617 (B) NEW DELHI 4343 (C) NEW DELHI 4321

SUMMARY: THE GOVERNMENT DECISION TO PERMIT PRIVATE WHOLESALERS
THE MAJOR ROLE IN WHEAT PROCUREMENT AND DISTRIBUTION, A TACTICAL
MOVE MADE BY THE PRIME MINISTER IN HOPES OF LOWERING GRAIN
PRICES AND INCREASING AVAILABILITY, HAS STRAINED CONGRESS
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UNITY AND ATTRACTED CRITICISM FROM ITS ELECTION ALLY, THE PRO-

MOSCOW COMMUNIST PARTY OF INDIA (CPPCLM THE CPI HAS ISSUED A RESOLUTION DENOUNCING THE "BANKRUPT IMNTRISM" OF CONGRESS ECONOMIC POLICIES AND ITS GINGERLY SEEKING TIES WITH LEFT OPPOSITION PARTIES. THE CPI AND THE CONGRESS "LEFT" HAVE RE-EMPHASIZED THEIR COMMON ANTI-AMERICAN FOREIGN POLICY STANCE. THE PRIME MINISTER HAS RESPONDED BY DEMANDING DISCIPLINE FROM THE CONGRESS RANK AND FILE AND IGNORING BLATANT APPEALS THAT SHE MOVE "LEFT" AND BLAME OUTSIDE POWERS FOR INDIA'S TROUBLES. END SUMMARY.

1. THE 1969 PLEDGE OF THE "NEW" CONGRESS TO NATIONALIZE THE GRAIN TRADE, HESITANTLY REDEEMED LAST YEAR ONLY IN THE CASE OF WHEAT, PROMISAT TO EFFECT BASIC CHANGES IN THE INDIAN ECONOMY AND TO AFFECT ALMOST EVERY VOTER. THE CONGRESS' PROMISE TO BREAK (AND BREAK WITH) THE WIDELY DETESTED TRADING COMMUNITY WAS SEEN AS AN EARNEST OF ITS RADICAL INTENTIONS. THE CPI JUSTIFIED ITS LIMITED COOPERATION WITH THE RULING CONGRESS BY CITING THIS AND SIMILAR COMMITMENTS.) THE MARCH 28 ANNOUNCEMENT THAT THE GOVERNMENT WOULD AGAIN PERMIT WHOLESALE TRADERS THE MAJOR ROLE IN WHEAT PROCUREMENT AND MISTRIBUTION HAS GENERATED RENEWED TENSION WITHIN AND BETWEEN BOTH PARTIES.

2. THE PRIME MINISTER MADE THE DIFFICULT DECISION SEVERAL WEEKS AGO. SHE THEN PRESENTED IT TO THE CONGRESS CHIEF MINISTERS; WHILE PUBLICLY ALL ENDORSED IT, SEVERAL MORE RADICAL ONES AS WELL AS THOSE FROM WHEAT-SURPLUS STATES REPORTEDLY DID SO MOST RELUCTANTLY. THE MEMBERS OF THE POWERFUL POLITICAL AFFAIRS COMMITTEE OF THE CABINET SUBSEQUENTLY APPROVED THE DECISION, AGAIN WITH VARYING DEGREES OF ENTHUSIASM. DECISIONS ON SO BASIC AN ISSUE AS FOOD POLICY TEND TO CUT ACROSS IDEOLOGICAL LINES; GENERALLY, THOSE FROM GRAIN-SURPLUS STATES FAVOR STATE PROCUREMENT AND INTERSTATE RESTRICTIONS ON GRAIN MOVEMENT TO KEEP RETAIL PRICES DOWN IN THEIR STATES. IT IS ALSO WIDELY BELIVED THAT THE CONGRESS PARTY IN THESE STATES PROFITS BY ALLOWING ILLICIT INTERSTATE GRAIN MOVEMENT IN EXCHANGE FOR SUBSTANTIAL "RAKE-OFFS". CONGRESS LEADERS FROM DEFICIT AREAS HOPE THAT A FREER FLOW OF GRAIN, COMBINED WITH REASONABLE GOVERNMENT EFFORTS AT SUBSIDIZED PUBLIC DISTRIBUTION, WILL RESULT IN LOWER RETAIL PRICES FOR THEIR CONSTITUENTS.

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3. FOOD MINISTER AHMED'S ANNOUNCEMENT OF THE NEW POLICY EVOKED A NOISY REACTION INSIDE AND OUTSIDE PARLIAMENT (REF B). CPI GENERAL SECRETARY RAJESHWAR RAO STATED THAT WHILE THE CONGRESS' FOREIGN POLICIES WERE GENERALLY PROGRESSIVE, ITS DOMESTIC STANCE WAS "ANTI-PEOPLE". IN ITS LENGTHY NATIONAL COUNCIL RESOLUTION ADPOTED AFTER THE DECISION HAD LEAKED TO THE PRESS BUT BEFORE IT WAS FORMALLY ANNOUNCED, THE CPI CALLED THE MASSES' DISCONTENT "EXPLOSIVE" BECAUSE THE CONGRESS HAD CHOSEN THE "CAPITA-

LIST PATH". THE RESOLUTION URGED "ALL LEFT AND DEMOCRATIC FORCES", INCLUDING THOSE WITHIN THE CONGRESS, TO UNITE TO DEFEAT THE "RIGHTIST OFFENSIVE" AND FORCE THE GOVERNMENT TO SHIFT TO THE LEFT. THE CPI DEMAND THAT PRO-MONOPOLIST AND PRO-LANDLORD CONGRESS MINISTERS BE DISMISSED BROUGHT FORTH FROM CONGRESS PRESIDENT SHARMA A MILD REBUKE TO THE CPI TO THE EFFECT THAT THE RULING PARTY AND ITS LEADER ENJOYED THE PREROGATIVE OF FORMING THE CABINET.

4. ALTHOUGH THE GRAIN DECISION BROUGHT OUT CONGRESS-CPI DIVERGENCE ON DOMESTIC POLICY MOST CLEARLY, OTHER RECENT GOVERNMENT ECONOMIC DECISIONS--REDUCING INCOME TAXES, RAISING THE PRICE OF CHEAP CLOTH, OPPOSING FURTHER NATIONALIZATION OF INDUSTRIES, REFUSING TO TAX AGRICULTURAL INCOME OR EVEN MENTION LAND REFORM-- HAVE ALSO ATTRACTED CPI DENUNCIATION. THE CPI HAS LED SOMETIMES-VIOLENT DEMONSTRATIONS AGAINST THE CONGRESS CHIEF MINISTER OF BIHAR, AND HAS PLANNED FURTHER DEMONSTRATIONS THIS MONTH DEMANDING HIS OUSTER. THE TWO PARTIES ARE AT LOGGERHEADS IN SOUTH INDIA OVER THE PRIME MINISTER'S ALLIANCE WITH CONGRESS-LEADER KAMARAJ; IN PONDICHERRY, CONGRESS LEGISLATORS DEFEATED THE THREE-WEEK-OLD COALITION GOVERNMENT IN WHICH THE CPI BOASTED ONE MINISTER. THE CPI HAS CHALKED OUT A PROGRAM FOR APRIL OF NOISY BUT PROBABLY INEFFECTIVE DEMONSTRATIONS AND FOOD-GRAIN DE-HOARDING CAMPAIGNS DESIGNED TO REASSERT ITS INDEPENDENT RADICAL STANCE. ALTHOUGH IT CRITICIZES THEIR "BLIND ANTI-CONGRESSISM", THE CPI IS GINGERLY PARTICIPATING IN TALKS WITH OTHER LEFTIST PARTIES (CPI-M, SOCIALIST, SOME SPLINTERS) LATER THIS WEEK ON THE POSSIBILITIES OF UNITED MASS ACTION AGAINST HIGH PRICES, SCARCITIES, HOARDING AND CORRUPTION.

5. THE KEY FOREIGN POLICY THEMES OF THE CPI AND THE CONGRESS "LEFT" CONTINUE TO BE TO ATTACK DIEGO GARCIA AND "US IMPERIALIST AGENCIES" IN ALL ASPECTS OF INDIAN LIFE, AND TO SUPPORT THE SOVIET UNION. IT IS THE US, THE CPI RESOLUTION SAYS, WHICH IS LIMITED OFFICIAL USE

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TRYING TO TURN INDIA TO THE "RIGHT" IN COLLUSION WITH THE BRITISH IMPERIALISTS, THE WORLD BANK, AND MAOIST CHINA. (DON'T LAUGH, THAT'S THE LINE-UP.)

THE CPI, THEREFORE, HAS KEPT UP A DAILY DRUMFIRE AGAINST DIEGO GARCIA AND HAS INTENSIFIED ITS ATTACKS ON PETER BURLEIGH IN CALCUTTA (ADDING MCCORMACK FROM THE EMBASSY) FOR THEIR RECENT TRAVELS IN NORTHEASTERN INDIA. THE CASE OF HARCOS/FLETCHER WHICH HAS YET TO HIT THE PRESS WILL ALMOST CERTAINLY BE USED BY THE
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